GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3742
ANSWERED ON:24.03.2017
Priority Sector Loan
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Will the Minister of FINANCE be pleased to state:

(a) whether some other service sectors have been identified for inclusion in priority sector in order to provide loans by the banks in the country and if so, the details thereof;
(b) the targets set and achievements made by the banks in regard to priority sector loans during the last three years and the current year;
(c) whether the Government proposes to increase the existing percentage of loan given to priority sector;
(d) if so, the details thereof; and
(e) the steps taken/proposed to be taken by the Government in this regard?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)

(a): As per guidelines issued by Reserve Bank of India (RBI) on Priority Sector Lending, a target of 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off Balance-sheet Exposure (CEOBE), whichever is higher, has been prescribed to all Scheduled Commercial Banks (excluding Regional Rural Banks).
Lending to Micro, Small and Medium Enterprises (MSME) sector has been included under Priority Sector Lending.
Bank loans to Micro, Small and Medium Enterprises for service sectors are eligible to be classified under Priority Sector Lending as per following norms.

Service Enterprise
Bank loans up to ? 5 crore per unit to Micro and Small Enterprises and ? 10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.

(b): The targets and sub-targets set under priority sector lending for all scheduled commercial banks operating in India are furnished below.

Categories Domestic scheduled commercial banks and Foreign banks with 20 branches and above Foreign banks with less than 20 branches
Total Priority Sector 40 percent of ANBC/CEOBE, whichever is higher.
Foreign banks with 20 branches and above have to achieve the Total Priority Sector Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. 40 percent of ANBC/CEOBE, whichever is higher; to be achieved in a phased manner by 2020

Agriculture 18 percent of ANBC/CEOBE, whichever is higher
Within the 18 percent target for agriculture, a target of 8 percent of ANBC/CEOBE, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017.
Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. The sub-target for Small and Marginal farmers would be made applicable post 2018 after a review in 2017. Not applicable
Micro Enterprises 7.5 percent of ANBC/CEOBE, whichever is higher to be achieved in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017.
The sub-target for Micro Enterprises for foreign banks with 20 branches and above would be made applicable post 2018 after a review in 2017. Not Applicable
Advances to Weaker Sections 10 percent of ANBC/CEOBE, whichever is higher
Foreign banks with 20 branches and above have to achieve the Weaker Sections Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. Not Applicable

The achievement of Scheduled Commercial Banks in respect of their PSL targets and sub-targets for the past three years is given at Annexure.
(c) to (e): The objective of priority sector lending (PSL) has been to ensure that vulnerable sections of society get access to credit and there is adequate flow of resources to those segments of the economy which have higher employment potential and help in making an impact on poverty alleviation. Thus, the sectors that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture and micro and small enterprises are part of the priority sector.

Consequent to the Indian economy undergoing a structural transformation and getting increasingly integrated into the global economy, the national priorities have changed over the last four decades, as India has moved up to middle income level status. The emphasis now, over and above lending to vulnerable sections, is to increase employability, create basic infrastructure and improve competitiveness of the economy, thus creating more jobs. Therefore, to ensure adequate allocation of credit to emerging priority sectors, an Internal Working Group (IWG) was set up in July 2014 to revisit the existing priority sector lending guidelines. The recommendations of the IWG were examined in the light of the comments / suggestions received from Government of India, banks, and other stakeholders and revised guidelines were issued vide FIDD Circular dated April 23, 2015.
As per Existing Guidelines the categories under Priority Sector includes:

? Agriculture
? Micro, Small and Medium Enterprises
? Export Credit
? Education
? Housing
? Social Infrastructure
? Renewable Energy
? Others.

All Commercial Banks (excluding Regional Rural Banks) (Amount in Rs.crore)
As on March 31st of the FY ANBC Priority Sector Lending Agriculture Advances S&MF Micro Enterprises Weaker Sections Advances
AMT % of ANBC AMT % of ANBC AMT % of ANBC AMT % of ANBC AMT % of ANBC
2014 5420700.76 2174152.06 40.11 833930.19 15.38 NA NA NA NA 494048.17 9.11
2015 6198288.87 2378563.91 38.37 938032.77 15.13 NA NA NA NA 561594.20 9.06
2016 6838531.42 2743399.73 40.12 1166080.17 17.05 483911.27 7.08 438049.20 6.41 682571.44 9.98

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